May/June 2008

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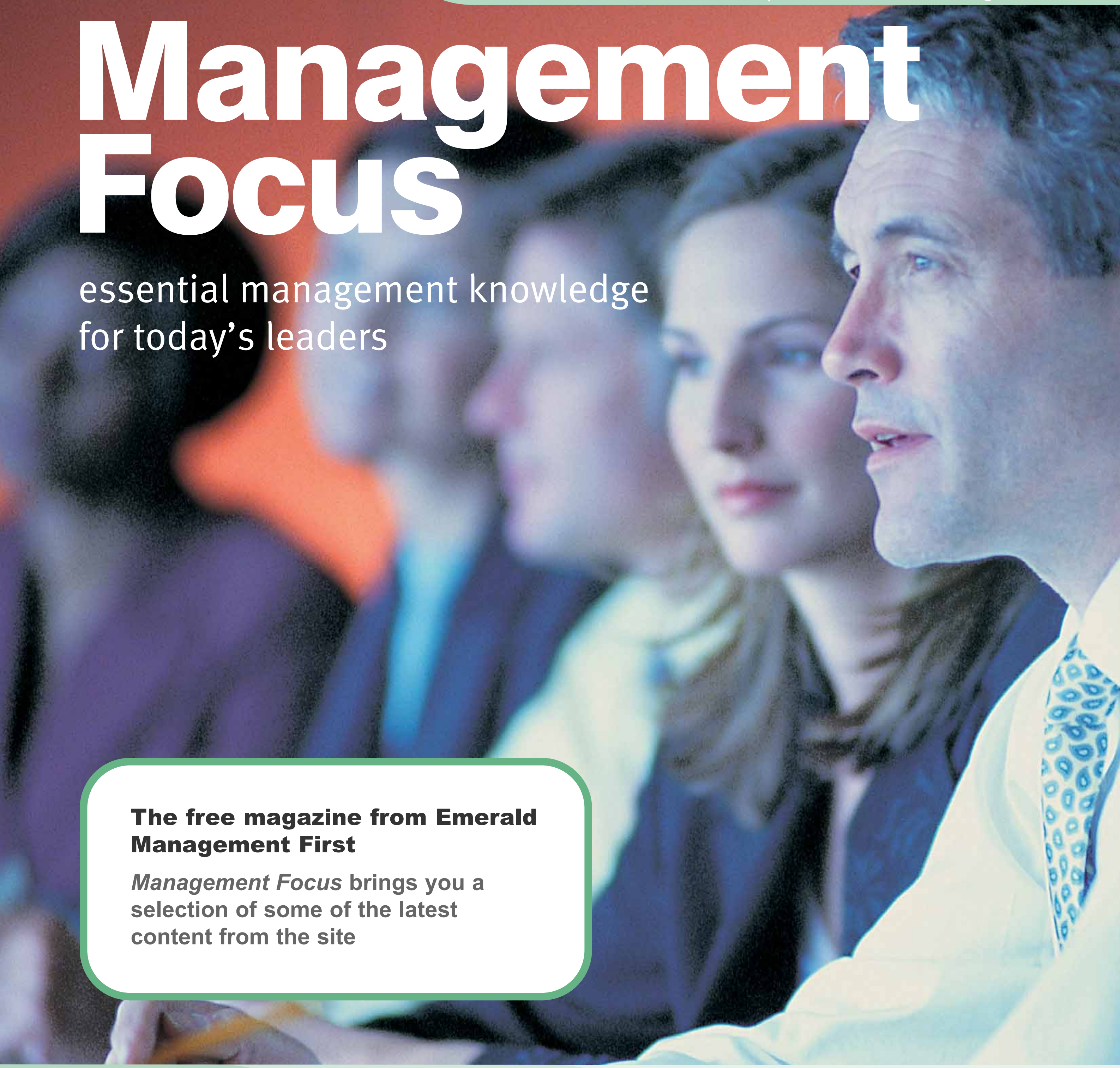

The free magazine from Emerald Management First

***Management Focus* brings you a selection of some of the latest content from the site**

Featured article

Effecting successful change management initiatives

Guru interview

Tarun Khanna – *Billions of Entrepreneurs*

Emerald

Welcome to Management Focus

. . . and welcome to the May/June issue.

In recent surveys, CEOs report that up to 75 per cent of their organizational change efforts do not yield the promised results. These change efforts fail to produce what had been hoped for and yet always produce a stream of unintended and unhelpful consequences.

So, what drives change? Why do change initiatives fail? And how do you move from crisis to control? Find the answers in this issue's featured article.

Dr Tarun Khanna, Jorge Paulo Lemann Professor at Harvard Business School, has been a member of the faculty since 1993, where he studies, and works with, multinational and indigenous companies and investors in emerging markets world-wide.

Read about Dr Khanna's new book, *Billions of Entrepreneurs: How China and India Are Reshaping Their Futures – and Yours* and discover the key lessons that managers can take away from this book.

In this interview Dr Khanna also discusses the "unshackling" of indigenous enterprises within China and India. China and India are home to one-third of the world's population. And they're undergoing social and economic revolutions that are capturing the best minds – and money – of Western business.

Finally, our in-house expert answers your question: Is there true business value in collaboration or is it just hype? Find out more in our latest issue of *Management Matters*.

Remember, Emerald Management First subscribers can gain access to all the latest management information and advice in our extensive collection of articles, interviews, executive summaries and management briefings online at http://first.emeraldinsight.com

Best wishes,

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Effecting successful change management initiatives

Despite all the rhetoric, books, effort, and money thrown into change efforts, most organizational change efforts fail.

In recent surveys, CEOs report that up to 75 per cent of their organizational change efforts do not yield the promised results. These change efforts fail to produce what had been hoped for and yet always produce a stream of unintended and unhelpful consequences.

These leaders develop clear strategies around re-design, restructuring, new efficiencies, and so on, hoping to get everyone to share their vision and create change programmes around these strategies. However, more often than not, they end up fighting fires and crises. People don't want to change. They don't believe in the change. They often feel demoralized by change initiatives.

What drives change?

Some of the drivers of change:

- mergers and acquisitions;
- innovation;
- technology;
- restructuring/re-organizing;
- declining sales and/or market share;
- globalization, expansion and growth;
- sense of urgency; and
- when 75 per cent of the leadership is honestly convinced that business as usual is no longer an acceptable plan.

Why do change initiatives fail?

Leaders buy and sell companies. There are mergers and acquisitions. They expand globally. In the traditional Change Model, employees move through the phases of *denial, resistance, exploration* and *commitment* when a change occurs. However, too often, management fails to recognize that adjustment to change takes time. They very quickly expect employees to move from the denial phase to the commitment phase and fail to recognize that each individual will go through all of the phases at different paces.

Consequently, management may end up dealing with employees who may be burned out, scared or frustrated and who do not work well together. These are the employees who may long for "the past" and who do not like the merger. They hate the new company and a crisis emerges. In these situations, leaders often look for blame. There is no control … only a crisis. *They* have moved into acceptance and left their employees behind.

There are so many things that leaders do that create a crisis in the management of change. They may not do these things intentionally. However, the result of these actions is generally the opposite of what was hoped for.

Things that create a crisis in the management of change:

- not engaging all employees;
- managing change only at the executive level;
- telling people they have to change – we're in a crisis;
- sending staff on a change programme and expecting change to occur;
- not honouring the past; and
- not giving time for staff to vent first and then change.

How do we move from crisis to control?

- *Accept that change is a process*. First, recognize that change is a process and, to move from crisis to control, follow the process. Engage everyone in the change. It is not complex but it is a journey.
- *Move forward step by step*. When companies strive to restructure or gain greater efficiency, experts warn that moving too quickly or failing to implement changes carefully can be detrimental to the process and ultimate result.
- *Assess potential risks and generate motivation*. Executives need to assess potential risks and stir up a sense of urgency among workers and stakeholders in order to generate the motivation to spur change within the firm. However, this sense of urgency has to be strong enough and perpetuated by outside analysts, consumers, and other voices in order to propel change forward.

- *Form a powerful guiding coalition*. Once change is identified as the best solution to market share, profit losses, or other catalysts, leaders throughout the organization have to band together to guide the transformation process, and these leaders can include board members, consumers, union leaders, executives, chairmen, and others.
- *Create a shared vision for corporate change*. This vision should go beyond the normal five-year forward-looking plan generated at most firms annually and be easily communicated and clear. A clear vision should also include transformation steps that are coordinated and propel the organization toward the overall goal.

> “In too many situations the carnage of change has resulted in a significant amount of waste and anguish in organizations”

- *Communicate that vision*. Leadership should estimate how much of the vision is needed, and then multiply that effort by a factor of ten. A transformation effort will fail unless most of the organization understand, appreciate, commit and try to make the effort happen. The guiding principle is simple: use every existing communication channel and opportunity.
- *Empower others to act on the vision*. Remove obstacles there may be to getting on with change. This entails several actions. Allocate budget money to the new initiative and free up key people from existing responsibilities so they can concentrate on the new effort. Allow people to start living the new ways and make changes in their areas of involvement. Nothing is more frustrating than believing in the change but then not having the time, money, help or support needed to effect it.
- *Plan for and create short-term wins*. Real transformation takes time. Therefore the loss of momentum and the onset of disappointment are real factors. Actively plan to achieve short-term gains which people will be able to see and celebrate. This will provide proof that efforts are working and adds to the motivation to keep going.
- *Consolidate improvement and keep the momentum for change moving*. A premature declaration of victory can kill momentum, allowing the powerful forces of tradition to regain ground. Use the feeling of victory as the motivation to delve more deeply into the organization: to explore changes in the basic culture, expose the systems relationships of the organization that need tuning, and to move people committed to the new ways into key roles.
- *Institutionalize the new approaches*. At the end of the day, change sticks when it seeps into the bloodstream of the corporate body and becomes “the way we do things around here.” This requires a conscious attempt to show people how the new approaches, behaviours and attitudes have helped improve the organization and when the next generation of leaders believe in and embody the new ways.

In too many situations the carnage of change has resulted in a significant amount of waste and anguish in organizations. Useful change tends to be associated with a multi-step process that creates power and motivation that are sufficient to overwhelm all the sources of apathy. It requires dedication and must be driven by *high quality leaders* who demonstrate their commitment to its success.

The reward for those organizations that manage their change efforts well is an improved competitive standing and positioning for a far better future. □

This is a shortened version of “Effecting successful change management initiatives”, which originally appeared in *Industrial and Commercial Training*, Vol. 40 No. 1, 2008.

The author is Michael Stanleigh.

Guru interview: Tarun Khanna

Interview by Alistair Craven

Photo credit: Harvard News Office

Dr Tarun Khanna, Jorge Paulo Lemann Professor at Harvard Business School, has been a member of the faculty since 1993, where he studies, and works with, multinational and indigenous companies and investors in emerging markets world-wide.

His current research focuses on understanding the drivers of entrepreneurship world-wide. As part of the Emerging Giants project, he seeks to understand how to build world-class companies from emerging markets world-wide.

Dr Khanna's new book, *Billions of Entrepreneurs: How China and India Are Reshaping Their Futures – and Yours*, is published by Harvard Business School Press.

He serves on the advisory boards of several multinational and emerging market companies in the financial services, automotive, life sciences and agribusiness sectors.

Q: Can you tell us about the background to your new book *Billions of Entrepreneurs: How China and India Are Reshaping Their Futures – and Yours*?

A: In 2003, I co-wrote an article comparing China and India in *Foreign Policy*, a Washington magazine, and the response world-wide rekindled my interest in China, of which I had been anecdotally aware as a child growing up in India. The more I studied and travelled in China, the more I realized that the preconceptions of the West and of Indians toward it were not quite right; and the same could be said even more emphatically of the West's preconceptions about India. And neither China nor India understood each other, having just emerged from a few decades of tension and conflict. So I embarked on this writing project to contribute to shaping mental models of folks everywhere about these countries.

Q: You state that the "unshackling" of indigenous enterprises signifies an enormous shift within China and India, and one which Western companies cannot afford to underestimate. Why is this so?

A: Well, because Western companies will have to compete with newer companies emerging from these countries. This is already the case in many industries: software, manufacturing, white goods, consumer electronics, and the areas where this is so will spread.

Western companies can also tap into opportunities to work with the entrepreneurs in China and India themselves. The productive ferment is there for everyone to tap into, not just Chinese and Indian natives.

Q: Some of your anecdotes suggest something of a dismissive attitude towards Indian businesses in terms of their ability to be "world class." What are your thoughts on this?

A: There has been a dismissive attitude in the past. This is changing rapidly for a number of reasons. World-class software and business-process companies have put India on the map. Most, if not all, large companies in the developed world now contract with some Indian company for their needs.

Second, India is becoming more active on the global mergers and acquisitions stage, and is doing so profitably. That is, Indian entrepreneurs are not buying companies with the cash of the Indian state, but are using their own resources and putting their money where their (collective) mouths are. Some of the recent deals are very large, by any stretch. Nor are the deals for low-cost operations in the West, they are for storied and fabled assets, but in a way that fits into the Indian companies' business models. Finally, Indian-born Western professionals are coming of age, chronologically and in career terms, and occupying the corner office in the world's largest companies, whether this be Pepsico or Vodafone or others. Mental models are changing and will change further.

Q: Your Microsoft example shows a Western company taking a 180-degree turn in its business strategy in China. The company expects to have to wait another 15-25 years before it makes a profit there. What is your take on this?

A: I think Microsoft has adopted the right attitude now, of generating value for the entire business ecosystem, if you will. It may not be making a profit by selling as much as it wishes in China, but it is already reaping huge benefits of being in the country, from tapping into Chinese talent. It has also learned a lot from its efforts in China, and the faster start in India has leveraged this learning. There is quite extensive outreach on Microsoft's part in its early days in India, compared with the early efforts in China. In the long run being an insider in China and India will help it work with the different participants to advance its own and the countries' agendas collectively and productively.

Q: What are the key lessons managers can take away from reading your book?

A: A key lesson is understanding the key differences between modern China and modern India at a level deep enough to affect their professional activities in both countries.

Also, I present the opportunity to understand how to leverage China and India symbiotically, that is, jointly. That is, recognize that the strengths of China are the weaknesses of India, and vice versa. □

To read the full interview with Tarun Khanna visit http://first.emeraldinsight.com and select the "Strategy" community.

Management Matters

Welcome to our Q&A section – *Management Matters*, where you can find actionable advice on current management topics. In this issue our resident expert answers your question on collaboration.

Q. Is there true business value in collaboration or is it just hype?

Microsoft Research, a computer science research arm of the Microsoft Corporation, employs over 800 researchers studying in more than 55 areas.

Microsoft researchers collaborate on research projects with university faculty, teach university courses and contribute to outside research organizations. Beyond the collaboration and relationships regularly sparked at conferences around the globe, a more formal group helps ensure that collaboration is further extended. A dedicated University Relations team seeks to build world-class relationships with key universities and government agencies to enhance the teaching and learning experience and inspire technological innovation.

The most interesting aspect of Microsoft's approach is that it makes employees feel that their work is of *direct benefit* to many groups of people. This aspect cannot be overstated. Working in a large organization can often leave one feeling disconnected from one's key stakeholder groups. Where possible, direct involvement with suppliers, customers or competitors can go a long way towards rectifying this. The idea of "community spirit" is also understood to be highly beneficial to the overall product development effort.

Such examples demonstrate that, when employed effectively, collaboration can be a powerful and beneficial force in business. But embracing collaboration requires an acceptance that not all the answers can be found within your organization. For many proud and independent operators, this can be hard to accept, resulting in missed opportunities. According to Mercer Management Consulting, most firms shun opportunities for collaboration, if they even recognize them in the first place. However, there is little doubt that engaging "outsiders" can challenge internal assumptions and also bring a new body of working knowledge to the table.

Taking this into account, collaboration is becoming inexorably linked with innovation and new product development. Working with others in developing new products can help share the perils of risk and cost, move products to market quicker and also help develop a greater understanding of customer needs. Expanding service offerings can also be achieved through collaboration – take airline alliances as an example. The two major alliances – **one**world and the Star Alliance – offer their members the ability to expand reach, innovate and save costs via a cooperation based on trust and partnership. Benefits also extend to end users, in this case flyers who can earn and redeem air miles or points across all member airlines.

Stories of successful strategic collaboration are on the increase. As highlighted in Emerald's *Journal of Business Strategy*, General Motors (GM) and Toyota have already exchanged information about the development of hydrogen fuel cells. GM and DaimlerChrysler announced plans to work together to design a hybrid power train for large cars. In total, five of the world's largest car manufacturers have begun collaborating on the technological underpinnings of next generation vehicles.

To end with a quote from the *Journal of Business Strategy*, "…collaboration promotes the kinds of robust rivalry that engender better products, lower prices and stronger industries and economies. That is the great paradox of competition: by reducing it in some areas, you strengthen it in the places that provide the most benefits to the most people." □

If you would like our resident expert to answer your question, write an e-mail to Web Content Manager Debbie Read at dread@emeraldinsight.com and the best submissions will be featured in a future issue of *Management Focus*.

Final thought …

"A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so."

Mahatma Gandhi